

BUSINESS HUNTER

7 October 2022

Transport for NSW

Via Email - businessimprovementdistricts@transport.nsw.gov.au

RE: BUSINESS HUNTER RESPONSE TO BUSINESS IMPROVEMENT DISTRICTS DISCUSSION PAPER

Business Hunter is pleased to write in support of the NSW Government's "*Enabling Local Business Improvement Districts*" Discussion Paper and provide feedback for consideration.

Introduction

Business Hunter is the peak business organisation in the Hunter region representing more than 4,200 businesses across the ten local government areas (LGA) that make up the Hunter region. Our member and affiliate businesses represent all sectors and all sizes of business and Business Hunter can show a record of successfully supporting public policy, strategy and investments that will grow and strengthen our regional and the broader state business community.

Business Hunter is supportive of and reinforces the thrust of the submission on the Discussion Paper from Business NSW. However, with a long history of BIDs operating in our region, we wish to take the opportunity to provide some specific comments related to our direct and indirect experience with the Special Rate Variation (SRV) program to ensure lessons from our experience can benefit other communities seeking revitalisation.

Considerations

There is absolutely no doubt the concept of BIDs is constructive, proactive and supportive and when implemented correctly, can do much at a local level to support relevant economic and community activity that in turn supports business and vibrancy.

The program introduced in Newcastle over ten years ago played an important role to support the respective geographical areas in which it operated at a time when the City and LGA was experiencing a considerable morphosis.

In response to the first question posed in the Discussion Paper, this experience highlights several **current barriers to BIDs being established**. The original set up of the SRV program in Newcastle focussed on four specific local business areas including the CBD of Newcastle. The process to get the SRV levy established was complex and comprehensive and notably, time consuming. It was also uncertain based on the need to not only broker the majority support of the property owners in the areas defined, but also the Council process followed by consideration and endorsement through State government agencies and governance mechanisms.

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The Discussion Paper rightly notes the current system to initiate and govern BIDs can be improved. The experience in Newcastle showed that once the system was in place, it lacked flexibility to adapt to change without the consideration of and passage through an exhaustive and similar process to what was called for to establish the original scheme. This was highlighted at a time when the state owned Honeysuckle urban redevelopment project came online. The original boundary defined for the Newcastle CBD under the SRV did not include the Honeysuckle area even though there was a strong objective to establish commercial and business floorspace in the Honeysuckle precinct and have it integrated with the existing CBD. In a sense, the businesses on Honeysuckle were benefitting from the initiatives being funded by the SRV but they were not contributing to it.

There was an attempt to address this and the support of the businesses including ratepayers in the precinct was obtained with the assistance of the Hunter Development Corporation. The process then to run this through the Council Community Planning and budget processes which have distinct timelines and time frames became fractured and the application to extend the area and include the precinct was delayed. The process did recommence the following year and then encountered the process that caught up local council amalgamation process and again, the application was sidelined. So, after more than two years of work and consultation, the application could not advance yet it was patently obvious there was a logic, willingness and need for this area to be included in the Newcastle CBD SRV district.

A similar situation emerged in the suburb of Hamilton where several businesses outside the originally defined area were keen to have Islington considered as an extension to the Hamilton district. After some consultations with the businesses and other stakeholders, the proposal did not proceed simply because of the daunting process that the businesses faced to have the area included with no certainty in the outcome that they would be included.

Key lesson: There is a need to have in place a far simpler system to set up and modify the BID areas as the nature and commerciality of localities change.

The Discussion Paper also seeks to understand **how BID levies should be applied**, which was another challenge to emerge in Newcastle.

In our example, this refers to firstly, how the SRV levy is struck and secondly, who eventually pays the levy. The levy currently is struck based on statutory land values and forms part of the property rate notice. The liability to pay the levy falls to the property owner in the first instance. In cases where the property is leased, there is a differential capacity for the cost to be passed on to the tenant dependent on the provisions of the lease. Consequently, there is a differential sense of 'ownership' of the program based on buy in with respect to who pays the levy.

This is also relevant to the ballot process whereby the distribution of information under the current system is addressed to the landowner, ratepayer or their agent but rarely the tenant occupier. This means in many cases the information is not getting to the party for which it has the most relevance and need. In large BID areas, this is a challenge and in Newcastle's case, the CBD was concerned with well over 1,000 properties yet there was no data base for whether

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these were tenanted, the land use and the interest of the occupying business to participate in the ongoing activity of the SRV initiatives.

Furthermore, using a levy system struck based on land values produces significant differences in the amount paid or borne by different owners and businesses. There can be for example, a huge disparity between the levy amount for a property or premises that is part of a strata compared to the levy on a free standing property. This system has no regard to the capacity to pay or the nature of the occupancy itself based on land use which is often mixed with residential development. It is appreciated there are mechanisms in place for individual property owners to seek relief, however the system is largely inflexible and other types of levy arrangements should be considered as options in the BID construction process.

There is no doubt there is a strong need to engage the businesses and elements of the community that are paying the levy when determining how it is spent based on an overall set of objectives agreed at the start of the process. The Newcastle experience showed some businesses felt disenfranchised even in the smaller areas, where a levy was struck. In some cases, the amount being levied annually was very small and this did not give those districts sufficient scope to buy into the projects they believed to be worthy to fund improvement. Either the businesses were required to contribute additional funds, or they were forced to seek assistance from the Council or grant programs, which were not always successful.

There is no simple solution, and the Discussion Paper recognises this issue.

Key lessons: Communication and engagement are key ingredients to successful outcomes and the design of the system needs to account for this. There also needs to be regard to the size of the BID and its funding base that is likely to be generated from a defined district to ensure the BID will be viable.

The Discussion Paper also seeks feedback on **the best organisational structure for BIDs.**

The Newcastle experience showed BID organisational structures should be based on a partnership between local government and the businesses that are contributing and benefitting from the program.

The alternatives of having the BID either exclusively business or local government led and operated, carries too much risk. In the instance of business only, there is a risk the BID takes on projects that should otherwise be the responsibility of Council. In the case of exclusively Council, the risk is the delivery of initiatives and projects the businesses don't want. The partnership model should allow transparency on what programs Council intend to deliver or be involved with and thus allow the BID to complement these for maximum impact.

Whilst each of the districts across Newcastle had local committees, or in the case of the CBD, an organisation substantially responsible for the SRV funds, the input from Council was inconsistent across the years and structures of BIDs need to recognise the variable capacity of Councils to dedicate staff and resources according to prevailing staff structures and changing objectives across the LGA.

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Furthermore, there is an argument that the system must have flexibility to bring in other stakeholders after it is formed. Reverting to the Honeysuckle example, the scale and significance of the redevelopment project meant it should have been integrated at as many levels as possible to other initiatives and projects in the city that were also seeking to achieve similar revitalisation objectives. Whilst this to some extent happened organically, the system could have been improved with a formal capacity for this to occur.

Finally, the review mechanisms around the performance of the BID needs to be clear and consistent. If they are not achieving their purpose, the BID should be modified or removed.

Key lesson: BIDs need to have flexibility for emerging, strategic integrations to occur where relevant, and a consistent review process inclusive of audit mechanisms.

Summary

1. The concept of BID's is supported and encouraged.
2. The system to set up a BID must move away from or be a significant modification of the current time consuming, process heavy and uncertain tiered approval process through the businesses and property owners, local and state governments to be established.
3. The BID system needs flexibility to adapt to change without the necessity to repeat the original approval process to confirm adjustment. Such occurrences could arise to accommodate changes in the definition of the area, changes in land use types (noting the infiltration of residential and mixed use developments), and changes resulting from funding programs of state or local government where large scale revitalisation is planned.
4. Early and consistent consultation and engagement with the businesses operating within the prospective BID is key to informing successful design and implementation.
5. Ensure simple yet effective performance review mechanisms are in place and adhered to.

Business Hunter appreciates the opportunity to comments on the document and the BID proposal. We would be happy to participate in any follow up discussion to expand on any of these points if required.

We look forward to further progress in relation to the initiative.

Yours sincerely



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Business Hunter